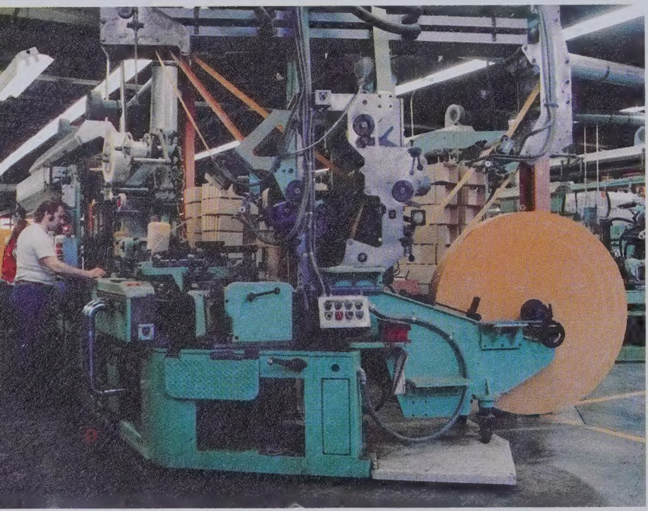
ANNUAL REPORT 1975

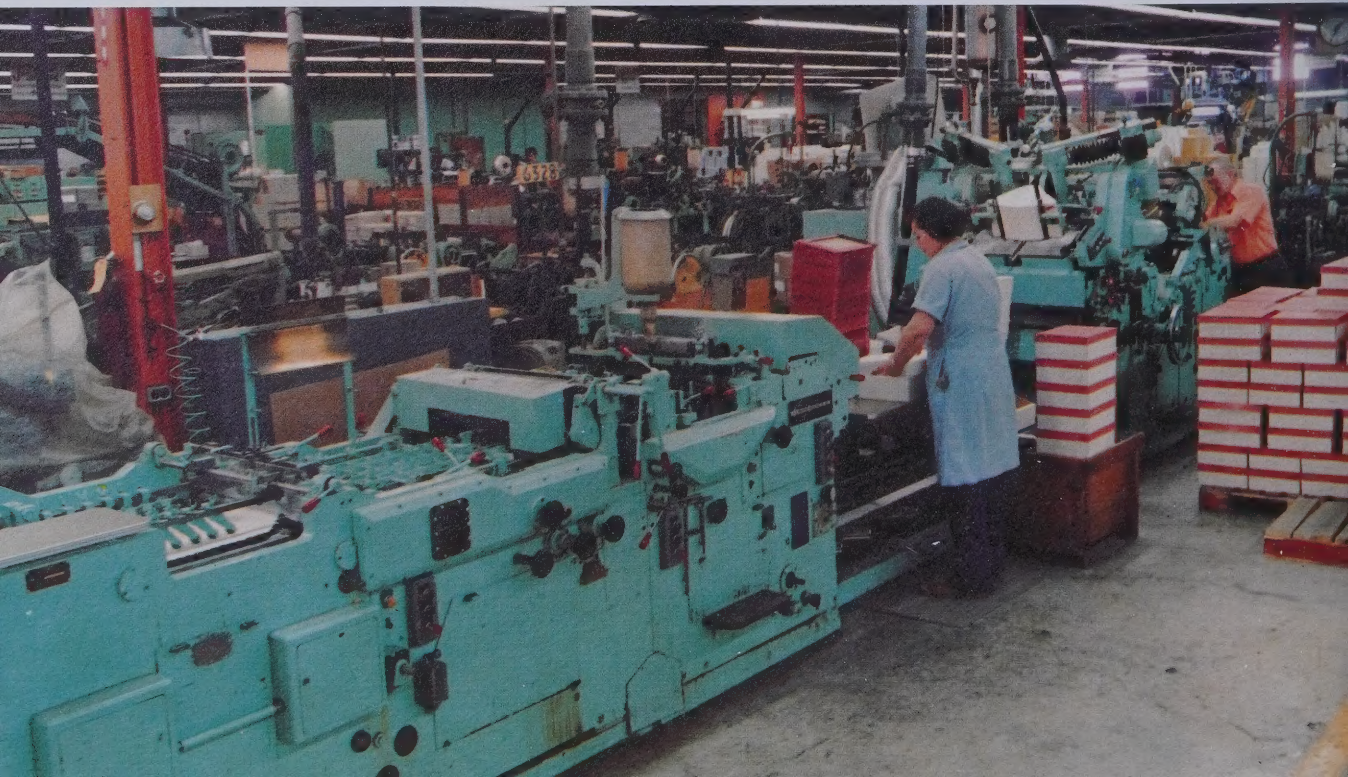
The Barber-Ellis Group

Envelope manufacturers and fine paper merchants

Highlights of the extensive production facilities available at our modern Gage Envelopes plant in Markham, Ontario.

One of the machines featured is capable of producing up to 60,000 envelopes per hour from a roll of paper in one continuous operation.





Financial Highlights

	1975	1974	1973	1972	1971	1970	1969	1968	1967
Sales	$71,122,225	$69,058,300	$49,787,060	$34,804,290	$30,680,054	$29,043,385	$28,385,297	$26,557,109	$25,240,748
Profit before Income Taxes	3,677,455	6,204,302	3,523,453	1,967,721	1,651,948	1,523,947	1,244,886	1,132,190	1,032,486
Income Taxes	1,649,793	2,927,442	1,649,449	952,180	818,190	832,619	664,566	581,029	506,589
Net Earnings	2,027,662	3,276,860	1,874,004	1,015,541	833,758	691,328	580,320	551,161	525,897
Common Shares Outstanding	468,972	463,042	459,662	457,870	455,100	455,000	455,000	455,000*	455,000*
Earnings per Common Share	4.34†	7.09	4.08	2.22	1.83	1.52	1.27	1.20*	1.15*
Dividend per Common Share	2.10	2.10	1.60	0.95	0.70	0.70	0.60	0.60*	0.60*
Common Dividends Paid (including 15% tax in respect of Class B Shares)	1,000,470	972,437	734,242	433,582	318,535	318,500	273,000	273,000	273,000
Current Assets	22,083,032	22,472,077	15,420,980	10,411,765	8,414,583	7,651,554	7,664,717	7,151,524	6,891,445
Land, Buildings and Equipment	11,933,908	11,261,927	8,904,664	6,322,806	6,010,141	5,820,362	5,626,739	5,264,178	4,987,836
Accumulated Depreciation	6,333,295	5,817,772	4,939,376	4,227,616	3,944,257	3,712,375	3,439,461	3,193,277	3,000,419
Fixed Assets – Net	5,600,613	5,444,155	3,965,288	2,095,190	2,065,884	2,107,987	2,187,278	2,070,901	1,987,417
Total Assets	28,455,513	28,732,299	19,932,518	12,506,955	10,480,467	9,759,541	9,853,700	9,243,324	8,912,303
Current Liabilities	12,554,595	13,467,215	7,506,784	4,596,686	3,153,919	2,920,941	3,314,528	2,980,272	2,895,212
Long-term Liabilities	3,457,500	4,133,650	3,830,000	557,000	585,000	612,000	640,000	667,000	695,000
Shareholders' Equity	11,948,276	10,853,072	8,511,889	7,353,269	6,741,548	6,226,600	5,899,172	5,596,052	5,322,091
Working Capital	$ 9,528,437	$ 9,004,862	$ 7,914,196	$ 5,815,079	$ 5,260,664	$ 4,730,613	$ 4,350,189	$ 4,171,252	$ 3,996,233

*Adjusted to reflect 10 for 1 stock split in 1969.
†Including extraordinary item of $.45 per share.

Branches and Subsidiaries

Barber-Ellis of Canada, Limited
20 Overlea Boulevard
Toronto, Ontario M4H 1A7

Branches:

Halifax
Montreal
Toronto
Hamilton
Brantford
Winnipeg
Regina
Calgary
Edmonton
Vancouver

Subsidiaries:

W. V. Dawson Limited
345 Montée de Liesse
St-Laurent
Montreal, Quebec H4T 1P7

Branches:

Montreal
Toronto

Fine Papers London Limited
505 Bathurst Street
London, Ontario N6B 1P5

Branches:

London
Hamilton
Windsor

Gage Envelopes Limited
56 Steelcase Road West
Markham, Ontario L3R 1B2

Branches:

Toronto
Montreal
Winnipeg

Munn Envelopes Company Limited
41 Fraser Avenue
Toronto, Ontario M6K 1Y7

Directors and Officers

Board of Directors

A. H. Lemmon
G. H. Love
D. K. Murphy
K. W. Murphy
A. E. Nelson
V. M. Seabrook, Q.C.
J. G. Westaway
J. W. Westaway

Corporate Officers

James W. Westaway, — married to founder's granddaughter
Chairman

A. Erwin Nelson,
Vice Chairman

David K. Murphy,
President

James G. Westaway,
Vice President – great grand-son of founder

H. W. Van Riet Paap,
Secretary-Treasurer

G. Albert Chute,
General Manager—Manufacturing

Divisional Officers

Donald R. Ball,
General Manager,
Barber-Ellis, East.

Auldus D. Curran,
Vice President & General Manager,
Fine Papers London Limited.

Douglas C. McGillivray,
Vice President & General Manager,
Gage Envelopes Limited.

George V. Stott,
General Manager,
Barber-Ellis, West.

E. W. Thompson,
Vice President & General Manager,
W. V. Dawson Limited.

Transfer Agent & Registrar

National Trust Company, Limited
Toronto, Ont.

Auditors

Touche Ross & Co.
Toronto, Ont.

Solicitors

Seabrook, Outerbridge, McElwain & Burk,
Toronto, Ont.

To Our Shareholders

The Barber-Ellis Group consists of five companies. Here is a brief description of each of them.

Barber-Ellis of Canada, Limited is a fine paper merchant wholesaling printing papers to the graphic arts. In addition, Barber-Ellis manufactures and prints envelopes for every purpose. The company also manufactures and distributes several lines of social stationery under the major brand names of "Scottie" and "Cameo". These activities are carried on from 9 branches and 5 factories spread from coast-to-coast. In 1976 Barber-Ellis is 100 years young, an event for which suitable celebrations are planned.

W.V. Dawson Limited is a fine paper merchant and an envelope manufacturer. The operations of this company are primarily in Quebec and are run from a modern warehouse and factory located in Montreal.

Fine Papers London Limited is a fine paper merchant with branches in London, Hamilton and Windsor. This company has an established and strong position serving the graphic arts in South-Western Ontario from its London headquarters.

Gage Envelopes Limited has offices in Toronto, Montreal, and Winnipeg. This company is a major Canadian envelope manufacturer, with plants in Toronto and Montreal. The company serves customers in every Province. Pictures of the modern Toronto plant are shown in this report.

Munn Envelopes Company Limited is an envelope manufacturing organization, operating primarily in Metropolitan Toronto.

1975 was a year of major problems for fine paper merchants and envelope manufacturers in Canada ; a year of disruptions for the Barber-Ellis Group. For almost seven months of the year, 60% of the Canadian fine paper mills were on strike. These strikes had an uncalculated effect on the Canadian economy, and disrupted the supply of many grades of paper which your company stocks for resale, or for use in manufacturing. In the late fall the national postal strike caused untold hardship in Canada. By year-end our envelope order backlogs had greatly diminished and, consequently, our factory production started to decrease. This situation carried on into the early part of 1976.

In late October, the Government announced its "Attack on Inflation", the objective of which, to cure inflation in Canada, is widely applauded. Detailed information on system of controls has been unfolding since the October announcement. It is both a complicated and extensive system. The Barber-Ellis Group is among the companies required to report regularly to the Anti-Inflation Board. This reporting has proved to be very difficult, time consuming and expensive, a fact about the program which does not appear to be widely understood. The restraints will be effective on your company, however, whether or not they will prove effective on the economy will depend largely on the restraint exercised on Government expenditures.

Consolidated sales were $71,122,225, slightly ahead of 1974, however, the year 1975 included 12 months sales of Fine Papers London Limited, while 1974 reflected only the last six months. Historical cost net earnings for 1975 were $2,027,662 including an extraordinary gain of $208,931 on the sale of land and buildings in Edmonton. On a per share basis, 1975 earnings were down 38%, $4.34 as compared with $7.09 in 1974.

In order to provide you with a clearer picture of the effects of inflation and rapid price changes on your company, we published a Balance Sheet and Statement of Earnings on a current replacement cost basis in our 1974 report. We have published this information in 1975 as well.

During the past year, replacement cost financial reporting has been the subject of considerable study and debate, and has received far wider acceptance. In the process of this study, refinements have been suggested. We are watching this progress carefully, and will be making appropriate changes. In the meantime we have reported to you in 1975 in a manner consistent with our 1974 report.

The Current Replacement Cost Statement of Earnings relates the current costs of Barber-Ellis production and distribution

capability, with the current revenue from those capacities. Replacement cost pre-tax earnings were 16% less than historical cost pre-tax earnings, primarily due to the depreciation charge which reflects current costs of replacing our productive capacity. The effective tax rate on the company continues to be high, 57% in 1975 compared with 60% in 1974. Replacement cost earnings are down 27% from 1974, $3.13 compared with $4.30.

Four quarterly dividends totalling $1.60 and an extra dividend of 50¢ per Class A share were paid during the year.

Production and operating costs increased rapidly in 1975. Since there was no general price increase for fine papers or envelopes in 1975 to offset the rising costs, earnings decreased.

Expenditures on new equipment amounted to $1,015,109 for 1975. This new equipment was only part of your company's growth. 1975 was a year of change for your company. The Barber-Ellis branches of Vancouver and Edmonton moved to new and much larger premises and our first computer was installed in the Barber-Ellis Toronto branch. This computer is an on-line system which, after a troublesome start, will enable us both to expand our business and to manage more effectively. While these changes were expensive, we are building for the future.

1976 has started off slowly, but a gradual upswing in our economy should benefit your company by mid-year. We are looking forward to a slight increase in sales and profits for 1976.

On behalf of our Directors and Management I would like to thank our many customers for their confidence in and support of the Barber-Ellis Group. I would also like to pay tribute and to thank our employees for their loyalty and hard work during a rather difficult year.

D K Murphy

D. K. Murphy,
President

Consolidated Balance Sheet

as at December 31, 1975

(with comparative figures for 1974)

ASSETS	Cost	Accumulated Depreciation	1975	1974
Current				
Cash			$ —	$ 29,783
Accounts receivable			11,604,434	12,074,945
Inventories			10,094,017	10,117,804
Prepaid expenses			271,401	249,545
Income taxes recoverable			113,180	—
			22,083,032	22,472,077
Property, plant and equipment				
Land	$ 433,721	$ —		
Buildings and equipment	11,500,187	6,333,295		
	$11,933,908	$6,333,295	5,600,613	5,444,155
Unamortized excess of purchase price of subsidiaries over fair value of net assets acquired			771,868	816,067
			$28,455,513	$28,732,299

On behalf of the Board

James W. [signature]

Director

[signature]

Director

LIABILITIES		1975	1974
Current			
Bank indebtedness		$ 7,597,007	$ 7,573,983
Accounts payable and accrued liabilities		4,295,238	4,109,189
Income taxes		—	1,296,693
Dividends, preference shares		700	700
Current portion of long-term debt		661,650	486,650
		12,554,595	13,467,215
Deferred income taxes		495,142	278,362
Long-term debt (Note 2)		3,457,500	4,133,650
		16,507,237	17,879,227
SHAREHOLDERS' EQUITY			
Capital stock (Notes 3 and 4)			
Authorized			
400	7% cumulative redeemable first preference shares, par value $50 each		
339,960	non-voting second preference shares, par value $25 each		
1,500,000	Class A convertible and 1,500,000 Class B convertible common shares without par value		
1,000	common shares without par value		
Issued			
400	first preference shares	20,000	20,000
468,972	Class A and B shares	615,117	545,705
		635,117	565,705
Surplus			
Contributed		45,000	45,000
Retained earnings		11,268,159	10,242,367
		11,948,276	10,853,072
		$28,455,513	$28,732,299

Auditors' Report

The Shareholders,
Barber-Ellis of Canada, Limited.

We have examined the consolidated balance sheet of Barber-Ellis of Canada, Limited and its subsidiaries as at December 31, 1975 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
February 16, 1976.

Touche Ross & Co.
Chartered Accountants.

Consolidated Statement of Earnings and Retained Earnings

for the year ended December 31, 1975
(with comparative figures for 1974)

	1975	1974
Net sales	$71,122,225	$69,058,300
Costs and expenses		
Cost of products sold	53,017,869	50,389,580
Selling, general and administration	12,757,368	10,705,281
Depreciation and amortization	817,767	786,969
Interest		
Long-term debt	400,155	381,884
Current debt	667,688	590,284
	67,660,847	62,853,998
Earnings before income taxes and extraordinary item	3,461,378	6,204,302
Provision for income taxes	1,642,647	2,927,442
Earnings before extraordinary item	1,818,731	3,276,860
Extraordinary item		
Gain on sale of property and plant, less related income taxes and expenses of $18,446	208,931	—
Net earnings	2,027,662	3,276,860
Retained earnings, beginning of year	10,242,367	7,939,344
	12,270,029	11,216,204
Dividends		
Preference shares	1,400	1,400
Class A and B shares (including 15% tax in respect of Class B shares)	1,000,470	972,437
	1,001,870	973,837
Retained earnings, end of year	$11,268,159	$10,242,367
Earnings per share		
Before extraordinary item	$3.89	$7.09
After extraordinary item	$4.34	$7.09

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Financial resources were provided by:		
Earnings before extraordinary item	$ 1,818,731	$ 3,276,860
Items not requiring an outlay of working capital		
Depreciation and amortization	817,767	786,969
Deferred income taxes	216,780	193,267
Gain on disposal of equipment	(17,702)	(20,310)
Working capital provided by operations	2,835,576	4,236,786
Extraordinary item		
Proceeds on disposal of property and plant, less related income taxes and expenses of $18,446	291,554	—
Issue of Class A shares	69,412	38,160
Issue of 8% promissory notes	—	818,300
Proceeds on disposal of equipment	20,162	39,273
	3,216,704	5,132,519
Financial resources were used for:		
Expenditures for equipment	1,015,109	1,645,041
Payment of dividends	1,001,870	973,837
Acquisition of subsidiary	—	908,325
Increase in current portion of long-term debt	175,000	486,650
Redemption of debentures (Note 2)	92,000	28,000
Payment of 8% promissory notes	409,150	—
	2,693,129	4,041,853
Increase in working capital	523,575	1,090,666
Working capital, beginning of year	9,004,862	7,914,196
Working capital, end of year	$ 9,528,437	$ 9,004,862
Represented by:		
Current assets	$22,083,032	$22,472,077
Current liabilities	12,554,595	13,467,215
	$ 9,528,437	$ 9,004,862

Notes to Consolidated Financial Statements

December 31, 1975

1. Summary of significant accounting policies

a. Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries. All material inter-company balances and transactions have been eliminated.

b. Inventories

Inventories are valued at the lower of cost and net realizable value generally on an average cost basis and the remainder on a "first-in, first-out" basis.

c. Property, plant and equipment

Expenditures for additions and major improvements are capitalized while those for maintenance and repairs are expensed as incurred. The costs and accumulated depreciation applicable to assets retired or sold are removed from the respective accounts and gains or losses thereon are credited or charged to income.

Provisions for depreciation are computed generally on the diminishing balance method at the following rates:

Buildings	5%
Machinery and equipment	20%

d. Intangibles

The excess of the purchase price over the fair value of net assets acquired is being amortized on a straight-line basis over twenty years.

e. Deferred taxes

Deferred taxes arise primarily from timing differences between financial and income tax reporting of depreciation charges.

f. Earnings per share

Earnings per share have been computed using the weighted average number of shares outstanding during the year. Exercise of options outstanding as at December 31, 1975 and 1974 (Note 3) would have a negligible dilutive effect on the 1975 and 1974 earnings per share.

2. Long-term debt

A summary of long-term debt is as follows:

	1975	1974
Term bank loan due April 1, 1983	$1,800,000	$1,800,000
5¾% sinking fund debentures due December 15, 1984	460,000	502,000
8½% sinking fund debentures due June 1, 1993	1,450,000	1,500,000
8% promissory notes due October 10, 1976	409,150	818,300
	4,119,150	4,620,300
Less current portion	661,650	486,650
	$3,457,500	$4,133,650

a. The term bank loan bears interest at 1% above prime and is repayable in annual payments of $230,000.

b. Under the terms of the trust indenture for the 5¾% sinking fund debentures, the Company:

i. is required to provide a sinking fund for the purchase or redemption of $27,500 principal amount annually;

ii. has the right to redeem further amounts of principal at premiums varying with the period to maturity; and

iii. is restricted on the payment of common share dividends when such payments would reduce net current assets below $1,250,000 and equity below $2,500,000.

During the year $42,000 (1974 – $28,000) of 5¾% sinking fund debentures were purchased by the Company for the amount of $31,227 and redeemed under the terms of the trust indenture. The total amount redeemed to date meets the requirements of the indenture.

c. Under the terms of the trust indenture for the 8½% sinking fund debentures, the Company:

   i. is required to provide a sinking fund for the purchase or redemption of $50,000 principal amount annually for the years 1975 to 1984 inclusive, and $100,000 principal amount annually for the years 1985 to 1992 inclusive;

   ii. at its option, may redeem further amounts of principal at premiums varying with the period to maturity; and

   iii. is restricted in paying common share dividends when such dividends would reduce the consolidated equity of the Company and its subsidiaries below $6,000,000.

3. Stock options

Under the Employees' Stock Option Plan 8,778 shares are reserved for issuance to key employees of the Company and its subsidiaries. As at December 31, 1975 options have been granted on 3,350 of these shares and are exercisable as follows:

	Number of Shares	Option Price Per Share
Up to June 28, 1977	600	$18.00
Up to December 19, 1978	2,750	28.80
	3,350	

The options granted may be taken up at the rate of 20% maximum per annum on a cumulative basis.

During the year options were exercised on 5,930 shares for a total consideration of $69,413.

4. Capital stock

Class A and B shares are inter-convertible on a share for share basis. Both classes of shares rank equally as to dividends but the Directors may elect to declare and pay a dividend on the Class B shares first out of 1971 tax-paid undistributed surplus on hand and then out of 1971 capital surplus on hand (as those expressions are defined in the Income Tax Act of Canada) provided that a cash dividend is declared and paid on the Class A shares in an amount equal to the sum of the cash dividend on the Class B shares plus the tax paid to create the tax-paid undistributed surplus.

Changes in the issued share capital during the year were as follows:

	Convertible Class A	Common Class B
Shares issued and outstanding, December 31, 1974	365,297	97,745
Shares issued during the year (Note 3)	5,930	—
Class A shares converted into Class B shares	(131,085)	131,085
Class B shares converted into Class A shares	97,750	(97,750)
Shares issued and outstanding, December 31, 1975	337,892	131,080

5. Lease commitments

Long-term leases in effect at December 31, 1975 expire in varying periods from one to nineteen years and require minimum annual rental payments of approximately $718,000.

Notes to Consolidated Financial Statements

December 31, 1975

6. Pension plans

As a result of amendments during 1973 to the pension plans which cover the majority of the employees of the Company and its subsidiaries, the unfunded past service benefits as at December 31, 1975 amounted to approximately $1,564,000 (1974 – $1,439,000). This amount will be paid and charged to operations over the ensuing thirteen years.

7. Remuneration of directors and senior officers

The remuneration of directors and senior officers (as defined under The Business Corporations Act – Ontario) was $323,206 (1974 – $445,584).

8. Anti-Inflation Legislation

The Company is subject to the Federal Government's Anti-Inflation Legislation, which became effective October 14, 1975. This legislation limits increases in prices, profits and compensation payments. The Company is also restricted to total dividends of $2.10 per share in the twelve month period ending October 13, 1976. The restriction that will apply to dividend payments subsequent to October 13, 1976 has not yet been announced by the Government.

9. Comparative figures

The 1974 comparative figures have been reclassified to conform to the 1975 presentation.

The Barber-Ellis Group

Supplementary Financial Information

Auditors' Report

The Shareholders,
Barber-Ellis of Canada, Limited.

We have examined the consolidated financial statements of Barber-Ellis of Canada, Limited as at December 31, 1975, which are prepared in accordance with generally accepted accounting principles. We have reported on these financial statements on February 16, 1976.

We have also examined the attached supplementary consolidated financial statements which have been prepared in accordance with the current replacement cost accounting principles described in Notes 1 and 2.

In our opinion these supplementary consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations for the year then ended in accordance with the current replacement cost accounting principles applied in a manner consistent with that of the preceding year.

Toronto, Ontario,
March 11, 1976.

Touche Ross & Co.
Chartered Accountants.

Notes to Consolidated Current Replacement Cost Financial Statements

December 31, 1975

1. Purpose of current replacement cost accounting

The purpose of current replacement cost accounting is to give recognition to maintaining the invested capital of the business and to the current costs of earning a satisfactory return. Since the Company is viewed as a "going concern," income is not considered to have been earned without first providing for the replenishment of capital consumed in the operations. The Company maintains its productive capability by being able to replace its plant and equipment as it is used and its inventories as they are sold. The current replacement costs of inventories and of property, plant and equipment are shown on the balance sheet and earnings are determined by matching current costs with current revenues. Adjustments of the historical cost of physical assets to their current replacement costs are considered as restatements of shareholders' equity and are shown on the balance sheet under revaluation surplus.

The current replacement cost financial statements do not reflect the current value of the Company as a whole because the human resources and the intangible assets such as goodwill have not been included. The current replacement cost of assets is not necessarily their net realizable value should they be sold.

2. Principles of valuation

At the present time, no uniform criteria exist for the application of replacement cost accounting; accordingly, accounting policies could vary from one enterprise to another. The Company has adopted those current replacement cost accounting policies which it believes are appropriate in the circumstances.

Current replacement cost is the lowest amount that would have to be incurred in the normal course of business to obtain an asset of equivalent operating capacity.

a. Cash, accounts receivable and prepaid expenses
These assets are stated at their face value.

b. Inventories
Inventories are valued at the lower of current replacement cost and net realizable value. Current replacement cost of inventories is based on current prices for materials and conversion.

c. Property, plant and equipment

	1975		1974	
	Current Replacement Cost	Accumulated Depreciation	Current Replacement Cost	Accumulated Depreciation
Land	$ 875,383	$ —	$ 911,383	$ —
Plant and equipment	17,367,095	9,975,936	15,551,051	8,351,641
	$18,242,478	$9,975,936	$16,462,434	$8,351,641

The current replacement costs of property and plant are based upon independent appraisals by quantity surveyors of the Canadian Institute of Quantity Surveyors or by accredited appraisers of the Appraisal Institute of Canada. Where appraisals for buildings were completed at dates other than at December 31, 1975, the appraised values were adjusted by the Non-Residential Construction Price Index developed by Statistics Canada. Land is stated at its most recent appraised value determined during the previous two years.

The current replacement cost of equipment is determined from recent suppliers' prices and estimates made by those suppliers.

Provision for depreciation is computed generally on the diminishing balance method at the following rates

Buildings	5%
Machinery and equipment	20%

As a result of the revaluation of fixed assets in the current year, accumulated depreciation representing the expired portion of the useful lives of those assets has been increased by $746,196 and this amount has been charged to retained earnings.

d. Current and long-term liabilities

These liabilities are stated at their face value.

e. Cost of products sold

Cost of products sold is calculated on the basis of the current replacement cost of the items sold on the date of sale.

3. Restatement of 1974 current replacement cost

The comparative figures for the year ended December 31, 1974 have been corrected to give effect to the current replacement costs of certain property, plant and equipment which were not previously valued on a current replacement cost basis. The effect of this adjustment has been to increase the current replacement cost of property, plant and equipment and the revaluation surplus by $1,298,236 and to reduce the balance of retained earnings at December 31, 1974 by $277,155.

4. Additional notes

The notes to the historical cost financial statements which are numbered 1a and f, 2, 3, 4, 5, 6, 7 and 8, form an integral part of these financial statements.

Consolidated Current Replacement Cost Balance Sheet

as at December 31, 1975

(with comparative figures for 1974)

ASSETS	1975	1974
Current		
Cash	$ —	$ 29,783
Accounts receivable	11,604,434	12,074,945
Inventories	10,094,017	10,366,804
Prepaid expenses	271,401	249,545
Income taxes recoverable	113,180	—
	22,083,032	22,721,077
Property, plant and equipment (Note 2)	8,266,542	8,110,793
	$30,349,574	$30,831,870

LIABILITIES	1975	1974
Current		
Bank indebtedness	$ 7,597,007	$ 7,573,983
Accounts payable and accrued liabilities	4,295,238	4,109,189
Income taxes	—	1,296,693
Dividends, preference shares	700	700
Current portion of long-term debt	661,650	486,650
	12,554,595	13,467,215
Deferred income taxes	495,142	278,362
Long-term debt	3,457,500	4,133,650
	16,507,237	17,879,227
SHAREHOLDERS' EQUITY		
Capital stock	635,117	565,705
Contributed surplus	45,000	45,000
Retained earnings	6,436,718	6,724,498
Revaluation surplus	6,725,502	5,617,440
	13,842,337	12,952,643
	$30,349,574	$30,831,870

Consolidated Current Replacement Cost Statement of Earnings and Retained Earnings

for the year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Net sales	$71,122,225	$69,058,300
Costs and expenses		
Cost of products sold	53,266,869	51,373,580
Selling, general and administration	12,757,368	10,705,281
Depreciation and amortization	1,136,143	1,095,567
Interest		
Long-term debt	400,155	381,884
Current debt	667,688	590,284
	68,228,223	64,146,596
Earnings before income taxes and extraordinary item	2,894,002	4,911,704
Provision for income taxes	1,642,647	2,927,442
Earnings before extraordinary item	1,251,355	1,984,262
Extraordinary item		
Gain on sale of property and plant, less related income taxes and expenses	208,931	—
Net earnings	1,460,286	1,984,262
Retained earnings, beginning of year		
As previously reported	7,001,653	7,939,344
Prior period adjustment (Note 3)	277,155	—
As restated	6,724,498	7,939,344
	8,184,784	9,923,606
Adjustment of accumulated depreciation to reflect current year's increase in replacement cost of plant and equipment	746,196	2,225,271
Dividends	1,001,870	973,837
	1,748,066	3,199,108
Retained earnings, end of year	$ 6,436,718	$ 6,724,498
Earnings per share		
Before extraordinary item	$2.68	$4.30
After extraordinary item	$3.13	$4.30

Consolidated Statement of Revaluation Surplus

for the year ended December 31, 1975

(with comparative figures for 1974)

	1975	1974
Balance, beginning of year		
As previously reported	$ 4,319,204	
Adjustment to correct 1974 replacement costs	1,298,236	
Balance, as restated	5,617,440	
Add		
Revaluation of assets, December 31		
Inventories	—	$ 249,000
Property, plant and equipment	1,324,139	4,384,440
Revaluation of cost of products sold during the year	—	984,000
	6,941,579	5,617,440
Less revaluation of property and plant disposed of during the year	216,077	—
Balance, end of year	$ 6,725,502	$ 5,617,440

Typical view of our modern warehousing facilities at Barber-Ellis Toronto branch.


RAYMOND